

DEPARTMENT OF STATE REVENUE

Information Bulletin #81
Sales Tax
May 2014
Effective Date: Upon Publication

SUBJECT: Sales Tax Credits for Bulk Sales of Propane

REFERENCES: [IC 6-2.5-5-49.5](#)

DISCLAIMER: Information bulletins are intended to provide nontechnical assistance to the general public. Every attempt is made to provide information that is consistent with the appropriate statutes, rules, and court decisions. Any information that is not consistent with the law, regulations, or court decisions is not binding on either the department or the taxpayer. Therefore, the information provided herein should serve only as a foundation for further investigation and study of the current law and procedures related to the subject matter covered herein.

SUMMARY

SEA 1-2014 provides certain credits against sales tax for retail merchants and end users related to bulk sales of propane. This bulletin provides guidance as to how the credits are calculated and how retail merchants and their customers may claim the credit.

INTRODUCTION

[IC 6-2.5-5-49.5](#) provides for a credit against sales tax liabilities related to bulk propane sales. A retail merchant engaged in selling bulk propane at retail in Indiana shall claim this credit on its state sales tax return filed before June 30, 2014. The amount of the credit is equal to the aggregate amount of the sales tax paid by all of the merchant's customers on bulk propane purchases between Jan. 1, 2014, and March 31, 2014, minus the aggregate amount of sales tax that would have been paid by the merchant's customers during that same time period if the price per gallon had been \$2.50. In turn, the retail merchants are then required to provide a credit to their customers on their next purchase of bulk propane that occurs after the merchant has claimed the credit. The retail merchants are entitled to an additional collection allowance of 1% for administering the credits provided to their customers.

DEFINITIONS

The term "bulk sales of propane" means a minimum of 100 gallons delivered to a single tank or propane delivered through a meter when the meter is supplying propane to a fixed structure and excluding metered sales of propane to a mobile vehicle such as motor fuel or RV fuel.

The term "de minimis amount" means a credit amount that is less than \$1.00.

CALCULATING THE CREDITS

The tax credit available under [IC 6-2.5-5-49.5](#) is computed only on deliveries of bulk propane where the cost per gallon exceeded \$2.50. To calculate the credit that the retail merchant must claim, each merchant must make the following set of calculations:

STEP ONE: For each customer to whom the retail merchant sold bulk propane between Jan. 1, 2014, and March 31, 2014, determine the greater of zero (0) or:

- The amount of sales tax collected from the customer by the retail merchant during the aforementioned time period on the retail sales of bulk propane at more than \$2.50 per gallon, minus
- The amount of sales tax that would have been collected from the customer by the retail merchant on those same retail sales of bulk propane if the price per gallon had been \$2.50.

STEP TWO: Determine the sum of all amounts calculated under STEP ONE.

With respect to metered sales, eligibility for the credit and the amount thereof shall be figured per billing period, based on the average price per gallon during that billing period. Billing periods for metered sales will be factored into the calculation of the credit only to the extent that (a) the amount of propane sold during that period constitutes a bulk sale of propane, and (b) both the beginning and ending dates of the billing period are within the statutorily proscribed period of Jan. 1, 2014, to March 31, 2014.

ADMINISTRATION AND UTILIZATION OF THE CREDITS

Retail merchants must claim the aggregate amount of the credit (i.e., the amount determined in STEP TWO) on their sales tax returns prior to June 30, 2014. The retail merchant must then provide a credit to each customer of the merchant for whom an amount was determined under STEP ONE of the calculation. The customer's credit, which is equal to the amount determined under STEP ONE with respect to that specific customer, shall be applied to that customer's next purchase of bulk propane from the merchant that occurs after the merchant claims the credit on its sales tax return.

Retail merchants that are required to claim this credit on their sales tax returns prior to June 30, 2014, must administer these credits until Dec. 31, 2014. In lieu of a credit applied to the next purchase made by a customer, a retail merchant may choose the following alternatives:

- A merchant may issue a qualifying customer a check for the value of the credit to which the customer is entitled after the merchant has claimed the credit on its sales tax return; or
- A merchant may issue a qualifying customer a voucher to be used by the customer on a future purchase of propane.

If on June 30, 2015, the merchant has neither issued the customer a check for the value of the credit to which the customer is entitled nor applied the amount of the credit toward the customer's next purchase of bulk propane, including unused vouchers, the merchant is required to remit the aggregate amount of the unused credits to the Indiana Department of Revenue as part of its June 2015 sales tax return.

Note: A merchant is not required to administer the credit provided by [IC 6-2.5-5-49.5](#) with respect to an individual customer if the value of the credit to which the customer is entitled is a de minimis amount. To the extent that a customer would be entitled to a de minimis amount of a credit, the retail merchant shall not claim that amount as a credit on its sales tax return.

To compensate the retail merchants for administering their customers' credits pursuant to [IC 6-2.5-5-49.5](#), the retail merchants are entitled to an additional collection allowance of 1% of the aggregate amount of the credits that it is required to claim on its sales tax return prior to June 30, 2014.

Michael J. Alley
Commissioner

Posted: 05/28/2014 by Legislative Services Agency
An [html](#) version of this document.